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SIPDIS

SENSITIVE

STATE FOR PM/SNA, EUR/WE; OSD FOR OSD/PA&E, OASD/ISA/EUR,  
OASD/ISA/NP, OASD/ISA/AP, OASD/ISA/NESA AND OASD/ISA/BTF

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SUBJECT: EMBASSY PARIS SUBMISSION TO THE 2005/2006 REPORT  
TO CONGRESS ON ALLIED CONTRIBUTIONS TO THE COMMON DEFENSE

REF: A. STATE 223383

¶B. PARIS 000005

This message is sensitive but unclassified. Not for  
Internet dissemination.

Due to its length, this is the final part of a  
three part message.

¶80. (U) In support of the tsunami relief in South-East  
Asia, the French Gendarmerie provided several investigators  
to assist in the identification of victims.

¶81. (U) Other humanitarian efforts. In 2004, during the  
annual Jeanne D'Arc training cruise 9000 vaccinations were  
given, 519 tons of humanitarian supplies were delivered.  
During a deployment of the Dupleix, 180 tons of  
humanitarian supplies were delivered.

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Subparagraph D. Capacity Building: Strengthening  
Governance in the World.  
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¶82. (U) The major part of France's efforts at capacity  
building in the world is focused on Africa. France relies  
on its forces stationed in seven nations to conduct most of  
its capacity building operations. These include Cameroon,  
Togo, the Central African Republic, the Gulf of Guinea,  
Haiti, and Côte d'Ivoire. Additionally, France uses  
forward presence forces; those stationed through bilateral  
defense agreements, for capacity building operations.  
Foreign presence forces are in Gabon, Djibouti, Senegal,  
the Indian Ocean, and the Pacific Ocean. The table on  
French Force Disposition and Exterior Operations presents  
the detailed numbers of personnel in each location and the  
additional expenditures of each operation. In total, these  
capacity building measures cost France 650 million Euros in  
2004 (approximately USD 790 million).

¶83. (U) The REAMP (Reinforcing the Capabilities of  
Africans to Maintain Peace) program remains France's  
flagship strategy for defense and military cooperation in  
Africa. The goal of REAMP is to support an autonomous  
African security capability. It is also a multinational  
program to support the stability of Africa. REAMP is  
based on three pillars: cooperation, training, and support  
of African operational engagements. To support operations,  
France provides African forces with the materials and  
equipment necessary to deploy from three French battalion-  
size REAMP depots. These depots are located in Dakar,  
Libreville, and Djibouti. France has offered to make these  
depots available for USG use. The French Military  
Cooperation Directorate has a 100 million Euro annual  
budget and manages a network of 220 French military  
personnel located at African military schools and training  
centers.

¶84. (U) In the last cycle for REAMP IV in West Africa  
(Benin) in 2004 -2005, there were 14 African and 16 non-  
African participating states, including the United States.  
France seeks the participation of all African states in  
REAMP and solicits participation bilaterally and through  
the African Union and sub-regional organizations. France  
also seeks multinational participation in the form of donor  
states and an increasing role of the European Union (EU).  
The program's present orientation focuses at the strategic-  
level and seeks to prepare the African sub-regional  
organizations and eventually the African Standby Forces  
(ASF) for peacekeeping, humanitarian assistance, and  
disaster relief operations.

¶85. (U) Additional Capacity Building Examples: During  
2005 in Chad, more than 300 French air force aviators  
conducted security and reconnaissance missions within the  
framework of the humanitarian operation Darfur.

**186.** (U) French Gendarmerie has taken the lead in the development of the European Gendarmerie Force. The initial commander of the force in the development of the headquarters is a French Gendarme General and the first headquarters exercise was conducted in France. The Gendarmerie has been consistently been asked to provide general and specialized training to other Gendarme forces or police forces throughout the world and particularly in the middle east and Africa. In fact, one French military police detachment is deployed in support of the United Nations Interim Force in Lebanon (UNIFIL)

**187.** (U) In Haiti, 40 Gendarme personnel supported the Multinational Stabilization Force (MINUSTAH) as part of the 1,000-man contingent of French personnel.

**88** (U) Over 150 Gendarme personnel provided international police support for the United Nations Mission to Cote D'Ivoire (UNOCI) and to support French intervention during operation Licorne. This contingent helped protect and guard functions for diplomatic and disarmament missions of the Joint Tactics Group.

**189.** (U) In both 2004 and 2005 French Gendarmerie supported International Police Missions with detachments of officers and Gendarmes in the Democratic Republic of the Congo, Chad, and the Central Africa Republic. In 2004, French Gendarmes conducted training for the establishment of a European Union Integrated Police Unit in Kinshasa, Kenya. In the years 2004 and 2005 approximately 600 French National Gendarmes were deployed outside France in support of operations or as reinforcements to diplomatic missions. Although the numbers fluctuate between the years, the approximate strengths provided reflect France's general willingness to contribute gendarme personnel and forces in support of international efforts.

**190.** (U) In the summer of 2004, the French began a joint fighter pilot training school in Cazeaux, France. Spain, Germany, Singapore, Greece, Switzerland and Poland have indicated interest in joining. The French also completed air policing agreements with Spain, Germany, Switzerland, and Italy allowing greater effectiveness of cross border air defense.

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Subpara E: Counterproliferation Contributions and other GWOT contributions

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**191.** (U) As a nuclear state, France endorses deterrence theory and holds to long-standing NATO doctrines. It has consistently supported international arms control regimes as a means of bolstering stability and transparency. It worked closely with the U.S. leading up to the 2000 Nonproliferation Treaty review conference, and was actively involved with U.S. experts in preparing for the 2004 prepcom. Although the French remain concerned over cessation of U.S. efforts to achieve ratification of the Comprehensive Test Ban Treaty (CTBT), French officials have also endorsed the need for updating international strategic doctrine to include protections such as missile defense, as well as deterrence and regulatory measures.

**192.** (U) France serves effectively as permanent secretariat for the Missile Technology Control Regime (MTCR) and participates actively in the Australia Group for the control of chemicals, bio-agents/toxins, and technologies related to CBW, as well as the Nuclear Suppliers Group (NSG) for controlling nuclear-related, dual-use technologies. France strongly supports U.S.-initiated Global Threat Security Initiative efforts, and pursuant to that initiative hosted a major conference in Bordeaux in June 2005 on identifying radiological sources. It has worked closely with the United States on several transfer cases involving French companies under the Proliferation Security Initiative. France has encouraged continued work within the UN Conference on Disarmament (CD) to help develop guidelines for a fissile material cutoff treaty regime, and supports activities of that body with respect to small arms and unexploded ordnance. It coordinates closely with the U.S. on enforcement of the Chemical Weapons Convention at the OPCW in The Hague, and on implementation of the Biological Weapons Convention in Geneva.

**193.** (SBU) France accepted the U.S.-proposed G8 architecture that would allow more effective use of the forum, as well as better management of ongoing G8 projects including those aimed at reducing stocks of weapons-grade plutonium in Russia. (France also has a bilateral programs aimed at helping Russia destroy CW holdings.) France has supported efforts to single out North Korea and Iran as states of particular concern on the proliferation front. The French support bringing North Korea before the UNSC for its violations of international nonproliferation

obligations. The French share U.S. concerns over Iran's pursuit of nuclear weapons; and with their British and German colleagues pursued EU3 negotiations to obtain Iranian compliance with Iran's Safeguard Agreement commitments. EU3 efforts led to the signing of the Paris Agreement in November 2004, under which Iran suspended its nuclear conversion and enrichment efforts during ongoing negotiations on Iran's nuclear program. Iranian resumption of conversion in August 2005, and research on enrichment in December 2005, led to suspension of Paris Agreement discussions. France and its EU partners, with U.S. support, continue to pursue efforts to convince Iran to suspend its nuclear ambitions.

194. (U) The French military continues to maintain strong contacts with the U.S. and other NATO countries for contingency planning. During 2004 and 2005, France conducted planning and exchanges with EUCOM and CENTCOM. French and U.S. analysts and planners share information on terrorism and WMD proliferation as well as political-military developments. From the beginning of operations in Afghanistan (both OEF and ISAF), and the Lebanon crisis, French and U.S. planners have continued to work together to produce effective, timely results. French forces permanently or temporarily stationed in Africa and Central Asia have assisted U.S. operations in the EUCOM and CENTCOM theater of operations.

195. (U) The French government also provides overflight clearance and landing assistance to US counter-narcotic operations in the SOUTHCOTM theater of operations. France maintains a liaison officer with the Joint Interagency Task Force-South, and provides access to French overseas territories for U.S. counter-narcotic operations.

196. (U) Since July 1, 2005 the French Armed Forces have an entirely deployable NBC defense regiment (2nd Dragoon regiment), which is equipped with specific tools to combat radiation, nuclear, biological and chemical risks. This regiment's missions are to prevent and handle military or technological incidents as well as restore the operational capacities of the forces deployed.

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REF A PARA 13:  
PFP AND NATO ENLARGEMENT  
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197. (U) Since the inauguration of the Partnership for Peace (PfP) in 1994, France has supported the program and participated in its exercises. France believes that PfP has increased awareness of NATO policies, procedures and standards among both aspirants and nonmembers that do not seek membership but that nevertheless wish to participate in collective security arrangements. France believes that the involvement of Central Asian and Caucasus states in PfP has directly increased their willingness to assist in the war on terrorism. France was an early supporter of the broad-based invitation list accepted at the Prague Summit. France favors continued MAP-related assistance to Macedonia, Albania, and Croatia, and essentially shares U.S. perspectives on eventual PfP membership for Bosnia-Herzegovina and Serbia-Montenegro. France favors extending PfP-like benefits to states in the current Mediterranean Dialogue.

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GENERAL DATA ON THE FRENCH MILITARY  
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198. (U) French Force Dispositions and External Operations:  
As of December  
LOCATION/ 2004 2005 TYPE 2004  
OPERATION Per # Per # Mission  
Cost/M  
Euros  
Haiti/MINUSTAH 42 42 CB Na  
Gulf Guinea/CORYMBE 103 230 CB 6.23  
Cote d'Ivoire/LICORNE 5455 4166 CB 186.0  
Cameroon 50 49 CB 2.99  
Togo/Gabon/LICORNE 268 99 CB Na  
CAR/BOALI/FOMUC 213 217 CB 7.7  
Chad 1066 1086 CB Na  
Macedonia/ARYM 27 17 IM 4.56  
Bosnia/EUFOR/EUPM 598 476 IM 67.9  
Kosovo/KFOR/MINU 3267 2239 IM 146.5  
Georgia/MONUG 3 3 IM Na  
Lebanon/Israel/UN 209 200 IM Na  
Palestine 0 3 IM Na  
Sinai/FMO 15 15 IM Na  
Afghan/OEF/ISAF 1270 1047 IM 99.3

Afghan/BAHRAL 0 49 IM Na  
OEF/CJTF150 +HOA 290 681 IM Na  
BERYX 0 10 IM Na  
Ethiopia/MINUEE 1 1 IM .1  
Sudan-Darfur/DORCA 4 9 IM Na  
Burundi/MONUC 3 1 IM Na  
DROC/MONUC 17 16 IM 2.3  
Liberia/UNMIL 2 1 IM Na  
YW. Sahara/MINURSO 25 24 IM 1.2  
Pacific Ocean 182 176 FP Na  
Senegal 1107 1226 FP Na  
Djibouti 2873 2831 FP Na  
Gabon 648 722 FP Na  
Indian Ocean 390 466 FP Na  
French Guiana 3257 3353 SF Na  
Antilles 4201 4202 SF Na  
Reunion-Mayotte 3983 4133 SF Na  
New Caledonia 2654 2757 SF Na  
Polynesia 2592 2153 SF Na  
St Pierre/Miquelon 77 68 SF Na

Total 34,947 32,798

CB: Capacity Building Forces  
IM: International Mandate Forces  
FP: Forward Presence Forces  
SF: Sovereignty Forces

#### Army: Major Equipment Deliveries 2004-2005

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##### Intelligence:

-18 UAV

##### Command and Control:

-60 2nd Generation Tactical and Intelligence Systems

##### Aviation:

-10 Tiger Helicopters

##### Armored Vehicle Systems:

-60 LECLERC Tanks

-8 Tank Recovery vehicles

-32 AMX 10RC Armored Personnel Carrier upgraded

-660 VAB Wheeled Armored Personnel Vehicles

-130 VB2L Command and Control Vehicles

##### Artillery and Counter-Fire Systems:

-38 canons 155mm AUF 1 TA

-6 radars COBRA

-5 systems ATLAS

##### Transportation:

-1,000 GBC 180 Trucks

#### Navy: Major Equipment Deliveries 2004-2005

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##### Intelligence:

-1 Intelligence collection ship

##### Submarines:

-1 Ballistic missile submarine

##### Ships:

-4 Minesweepers

-1 Ocean going Tug

-1 Research Vessel

##### Missiles:

-80 Mica Air to Air

-40 Crotale (marine)

-50 Aster Ground to Air

-20 Scalp-EG Cruise Missile

-50 Torpedoes

#### Air Force: Major Equipment Deliveries 2004-2005

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##### Aircraft:

-10 Rafale fighter aircraft

-3 UAV's

-1 A-310 Transport

-7 NH-90 helicopters

##### Missiles:

-150 Mica Air to Air

-50 Scalp-EG Cruise Missiles

-40 AS-30 Laser Missiles

Satellite: -1 Syracuse Military Comm

#### FRENCH MILITARY PERSONNEL 2004-2005

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##### TYPE Army Air Force Navy

Officer 16,500

6,875 5,100

Enlisted 117,500

52,600 40,100

Civilian 27,500

6,500 9,600

Total 161,500 65,975  
54,800

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#### MAJOR ECONOMIC DEVELOPMENTS

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**¶**99. (U) Please note that the new French presentation of budgetary information (the LOLF, first mentioned in paragraph 29) is sufficiently complicated to compel embassy Paris to include more detail on this new means of reporting economic information (see paragraphs 111-113).

**¶**100. (U) France is presently the fifth largest industrial economy in the world, with a USD 2 trillion annual Gross Domestic Product (GDP), about one sixth the size of the GDP of the United States in 2005. France is the fifth-largest exporter and the fourth-largest importer in the world merchandise trade, and is a global leader in high technology, defense, agricultural products and services. France is the ninth-largest trading partner of the United States and our third largest in Europe (after Germany and the UK).

#### Economic Growth

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**¶**101. (U) Real GDP in France rebounded to 2.1% in 2004, compared to 0.9% in 2003, thanks to reviving domestic demand, which turned in one of the best performances in the EU-15. Nonetheless, economic recovery became less robust under the shocks of oil price hikes and the rise in value of the euro against the dollar. The government realized early in 2005 that achieving its 2.5% GDP growth objective would be hard to achieve without taking some action. In February, May, and June 2005, the government announced measures to encourage consumption, stimulate activity of companies, boost exports, and tackle unemployment. Most of these measures are not likely to have immediate impacts. The "No" vote in France's May 29, 2005 referendum on Europe's new constitution was widely interpreted as a sign of French voters' deep-rooted unease with France's economic and social malaise. Public-sector unions' demonstrations against government plans to reduce the size of the government (e.g., cut jobs), as part of France's European commitment to reduce the budget deficit to below 3% of GDP in 2005, fed public fears of outsourcing, enlargement of the European Union, immigration, deregulation of European markets and further deterioration in the labor situation. After the referendum vote, the French government underwent a cabinet shake-up, and in September 2005, the government unveiled its plan for a "social economy", the key feature of which is the retention of the French social model.

**¶**102. (U) Despite government measures, real GDP growth weakened in 2005, and the government had to revise its GDP growth target from 2.5% to 2.0%, and later shift to a GDP growth target range of 1.5 to 2%. Nonetheless, in January 2006, the government said that it was confident 2005 GDP growth would fall within the 1.5-2.0% range, predicting a 2.0-2.4% (annualized) growth in the fourth quarter. Economists, members of the Consensus Group of 17 banks and institutions, forecast GDP growth to range from 1.8% to 2.1% in 2005. Two thirds of them forecast GDP to increase at least 2% in 2006. That is the bottom of the 2.0-2.5% range the government has forecast for 2006.

#### Inflation

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**¶**103. (U) Inflation in France remains low and under control, despite oil price increases. Wage increase requests remained moderate in 2004 and 2005 due to the weak labor situation. Consumer prices increased 1.5% in December 2005 on a year-over-year basis, compared with 2.1% in December 2004.

#### Labor Situation

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**¶**104. (U) The unemployment rate remained unchanged at 10% throughout 2004. Unemployment decreased to 9.6% in November 2005 after peaking at 10.2% in March 2005, a 5-year high. It remained higher than the government objective of 9% for a variety of reasons, including low job creation in the private sector, despite a decrease in persons looking for work and government measures introduced in 2005 for job creation, including government-subsidized contracts. With the 2007 presidential elections in mind, the government has chosen to subsidize job creation, rather than press for economic reforms to address structural causes of unemployment. In January 2006, the government announced the creation of another new employment program

aimed at boosting youth employment, since the youth unemployment rate remained high (22.8% in November 2005). Prior to this announcement, private-sector economists had projected the unemployment rate to decrease only slightly in 2006 due to modest job creation in the private sector.

Budget Deficit, Public Debt and the EU Stability and Growth Pact

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¶105. (U) In 2004, France broke the EU stability and growth pact limit with a budget deficit over 3% of GDP for the third straight year. The 2004 overall budget deficit including central government, social security and local authorities exceeded 3.6% of GDP in 2004, falling from 4.2% in 2003 due lower growth in central government spending. The deficit remained above 3% of GDP mainly due to a rise in social security expenditures, notably health insurance. The government has been struggling to reduce the budget deficit in the face of lower-than-expected economic growth. Reducing the budget deficit depends on high tax receipts (thus on solid economic growth), finding ways to check social spending, particularly for health care, and sticking to a "zero budget growth" policy among all ministries, while being mindful of opposition politicians and unions' resistance to reforms.

¶106. (U) In January 2006, Finance Minister Thierry Breton said that the economy's vigor in the second half of 2005, combined with strict control of central government budget spending, made him confident that France would finally respect the 3%-of-GDP ceiling in 2005. Higher than expected tax receipts at year-end 2005, notably due to an earlier collection of the corporate income tax downpayment, allowed the government to project a budget deficit of 2.9% in 2005. Nonetheless, the overall deficit is still overly dependent on progress tackling the public sector health insurance deficit.

¶107. (U) France's public debt continued to significantly exceed the EU's stability and growth pact limit of 60% of GDP, amounting to 64.7% of GDP in 2004, and an estimated 66.2% of GDP in 2005. To fund its debt and repay maturing debt, the government will sell 125 billion euros in notes and bonds in 2006. In 2005, much of the financing of the public debt came from payments by the state-owned company Electricite de France, in exchange for the government assuming pension liabilities. The government will be considering other proposals to reduce the public debt, and is earmarking privatization proceeds for debt reduction.

Reforms

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¶108. (U) France has to pursue efforts on structural reforms to achieve its full economic potential and to improve its competitiveness. Prime areas for reform include continued tax and government spending reduction, increased flexibility of labor markets, and further deregulation of goods and services sectors. The government, formed after presidential and legislative elections in spring 2002, has undertaken reforms slowly. President Chirac appears determined to keep electoral promises, such as tax cuts. The French benefited from five per cent income tax cuts in 2002, one percent in 2003, and another three per cent in 2004. However, the government in 2005 had to stop cutting taxes due to its ballooning budget deficit. On the positive side, France has responded to competitive pressures by implementing market-oriented economic reforms of its pension and health insurance systems, simplifying administrative procedures, and offering a variety of investment incentives. France is changing its historic tendency of centralization in favor of transferring more power to its regional territories, to free the territories' energies, to eliminate redundant structures, and to make productivity gains at the national and local levels. In 2005, the government made labor regulations more flexible to facilitate lay-offs, modified the law to make the 35-hour workweek more flexible and created new hiring contracts which limit minimum lay-off procedures for companies of less than 20 employees.

Negotiations between businesses and employees representatives begun in December 2005 might result in a reduction of unemployment benefits. The government has indicated its intention to continue reforms: reforming the tax structure, eliminating labor market rigidities, and scaling back the role of the state in the economy. Regarding privatizations, the government announced preliminary plans in 2002, but the subsequent global slump in air transportation and equity markets put a brake in privatizations through the sale of shares. In 2003 and 2004, the government reduced its stakes in large companies such as Air France-KLM (to 44.6 from 54.0 percent), France Telecom (to 42.2 from 54.5 percent), Thales (formerly Thomson CSF, to 31.3 from 33.3 percent), Renault (to 15.6 from 26.0 percent), and Thomson (to 2.0 from 20.8 percent).

through TSA). Smaller projects were carried out, such as the privatizations of SAPRR (Paris-Rhin-Rhone highway company), and of the electricity company SNET. In 2005, the government sold shares in the energy sector companies EDF and GDF, retaining a 85.9% stake in EDF and a 79% stake in GDF, but postponed the privatization of the nuclear energy company, Areva. After a long process in 2005, the sale of toll-road companies ASF, APRR and Sanef will be effective in early 2006. Capital openings for employees of Aeroports de Paris and EDF are planned for 2006. The government still has stakes in Bull and Safran (renamed after Sagem merged with Snecma), and in 1,280 other firms, and has stated its intention to continue privatization.

#### Defense Spending - Defense budgets - 2006 Highlights

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**¶109.** (U) The French central government budget process operates on a different cycle and with different precepts than the U.S. system. Budgets for the year ahead are adopted on or about December 30 of a given calendar year, and may be adjusted one or more times in the course of the year during which spending occurs. The 2004 initial defense budget (E 41.6 billion including pensions or USD 51.7 billion) was adjusted to include additional spending and cancellations. The adjustment cancelled 471 million euros or USD 586 million to credit payments, and allotted 870 million euros or USD 1,082 million to credit payments for military operating spending, including for external operations (608 million euros or USD 756 million). Similarly, the initial 2005 budget was modified, notably allotting 467 million euros (USD 581 million) to credit payments for external operations in 2005.

**¶110.** (U) The following tables trace the evolution of overall defense budgets from 2003 to 2006 in millions of euros. Percentages reflect nominal changes, not/not corrected for inflation. Post provides separate charts for planned and actual expenditures in order to demonstrate that within-year adjustments (use of support funds appropriations), as well as changes in appropriations and in the way they are allocated are the norm for France, and to emphasize that France increased its commitment to defense significantly beginning in 2003. In 2004, defense spending increased 0.25% to 11.42% of the central government budget, and 0.5% to 2.01% of GDP. Based on initial government data, defense spending in 2005 accounted for 14.7% of the central government budget, and 2.5% of GDP.

	Planned Defense per cent.	Actual Defense per cent	Budgets change (INCL. pensions)	Spending change (EXCL. Pensions)
			(euro millions)	(euro millions)
2003	39,964	6.1	30,176	3.3
2004	41,565	4.0	31,328	3.8
2005	42,424	2.1	n.a. n.a.	

(Note: Military pensions come under the defense budget in the planned budget, but are considered as civilian expenditures when the budget comes to execution.)

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#### Evolution of Defense Budgets

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	(euro millions)		
	CY03	CY04	CY05
Title III	17,426	17,504	17,725
(Operations)			
Credit Payments			
Title V & VI	13,644	14,898	15,198
(Procurement and Debt Service)			
Total Credit	31,070	32,402	32,923
Payments			

	CY03	CY04	CY05
Title V & VI	15,300	16,769	15,315
(Program authorizations)			

Pensions            9,810    9,910    10,062

2006 New Presentation

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¶111. (U) Beginning in 2006, the government modified greatly its budget presentation pursuant to the August 1, 2001 Law pertaining to financial bills ("Loi Organique de Loi de Finances - LOLF"). In an effort to improve transparency, the central government budget now shows spending categorized by missions and programs, no longer by ministry. The 2006 CG budget includes 34 missions (nine of which are inter-ministerial), including the defense mission.

¶112. (U) The new budget presentation has modified the content of titles. Former titles showed spending as follows: Title I (Debt service), Title II (Public Authorities), Title III (Operating expenses), Title IV Government-backed measures and Title V and VI (Investment and investment subsidies). The new Title 2 regroups wages, pensions and social contributions. The new Title 3 (operations) corresponds to the former title III excluding wages, pensions and social contributions, and includes a portion of expenditures of the former title V (research and prospects, and maintenance and acquisition of ammunitions). The new Title 5 is reduced to one fifth of its former scope. The new Title 6 is totally different from the former title VI. It now includes transfers to international organizations (NATO, the European defense Agency), foreign countries (Djibouti), and local authorities and social action organizations.

(euro millions)

CY05	CY06
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Credit Payments	
Total	35,635    36,060
Of which	
Staff	18,068    17,829
Operating Expenses	6,808    7,327
Investment	10,584    10,679
Intervention	174    224
Commitment Authorizations (1)	
Total	35,813    36,972
Of which	
Staff	18,068    17,829
Operating Expenses	7,352    8,211
Investment	10,227    10,698
Intervention	166    232

(1) In the new budget architecture, commitment authorizations ("autorisations d'engagement") that concern all kinds of budget expenditures are annual. They are not carried over. Thus, they are cancelled when they are not used. This is the major difference with program authorizations, which had no duration limit. Program authorizations concerned capital expenditures, excluding maintenance of military equipment.

¶113. (U) More importantly, the new budget presentation provides the defense budget with four programs:  
-the defense mission, which accounts for the bulk of the former defense budget;  
-the security inter-ministerial mission, which regroups credits for police and "gendarmerie." ("Gendarmerie" accounted for 15% of the former defense budget);  
-the research and higher education inter-ministerial mission, in which the defense ministry is participating in dual-use research (200 million euros);  
-the "veterans-memory and links with the nation" mission (300 million euros). The preparation and employment of forces program and the equipment of forces program together account for 87% of the mission's credits.

(euro millions)

Planned Defense Mission, Security, Veterans, Research  
And Higher Education

2005	45,819	n.a.
2006	46,828	2.2
of which		
Defense Mission	36,061	
Security	6,669	
Veterans	3,898	
Research and		
Higher Education	200	

(euro millions)

Planned Defense Mission Budget

CY05	CY06
Total	35,635 36,060
Of which	
Environment and prospect	1,618 1,643

Preparation and employment	
of forces	21,167 20,900
Equipment of forces	10,015 10,610
Support of defense policy	2,836 2,908

Commitment Authorizations	
Total	35,813 36,972
Of which	

Environment and prospect	1,465 1,794
Preparation and employment	
of forces	21,774 21,605
Equipment of forces	9,825 10,528
Support of defense policy	2,749 3,044

FY 2006 Defense Budget  
And Program Highlights

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**¶114.** (U) The defense mission remains one of the top budget priorities in 2006. The 2006 defense mission budget accounts for the third largest central government category of discretionary spending (E 36,060 billion) after Education (E 59.7 billion), and Central Government Financial Commitments (E 40.9 billion), equaling 11.6% of the central government budget. The government plans to increase in 2006 defense mission spending, excluding pensions, by 3.4%, and defense spending including pensions by 2.2%. The Minister of Defense has the authority to spend 47 billion euros including for the defense mission, security, veterans, research and education and pensions in ¶2006. The defense mission and security, which ensure protection of the French, account for 92% of credits payments available to the Defense Ministry.

**¶115.** (U) Defense Minister Michele Alliot-Marie stressed that the 2006 budget defense would respect the 2003-2008 military programming law for the fourth consecutive year. Objectives of the law include assuring deployments of external operations to respect France's commitments to European Union and NATO, pursuing the achievement of major armament programs, consolidating professionalization of army and improving military conditions, and continuing the reform of the defense ministry. Credit payments to the 2003-2008 military programming law and to the interior security law ("loi d'orientation et de programmation relative à la sécurité intérieure") are increased 3% to 15,658 million euros in 2006 compared to 2005 (E 15,198 million) versus 2% in 2005 from 14,900 million euros in ¶2004. Credit payments to external operations in 2006 are increased to 250 million euros from 100 million euros in ¶2005. Since actual expenditures have consistently exceeded spending as projected in the initial central government budget, the initial budget represents only about 45% of the actual expenditures for external operations.

**¶116.** (U) Defense Minister Alliot-Marie has stressed that the year 2006 will be marked by significant deliveries (the launching of the satellite Syracuse III-B, and the delivery of 14 Rafale airplanes, missiles SCALP, and 34 Leclerc tanks) and that the second helicopter carrier Tonnerre will be operational in 2006. 2006 priorities also include a 60% increase in credit payments to the gendarmerie, to 200 million euros from 120 million euros for the renewal of equipment, real estate, and the creation of 2,000 new jobs. A number of new jobs will be created to improve cryptology capacity, and health services.

Part D: Grant Aid and Humanitarian Assistance

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**¶117.** (U) France abides by President Chirac's commitment in international summits, notably in Monterrey in 2002, to strengthen efforts in favor of Official Development Assistance (ODA, "Aide Publique au Développement"). France reaffirmed its full support of the "Millennium Development Goals" to halve poverty in the world by 2015. France also intends to find additional budget resources, notably by creating new international taxes, giving priority to Africa in providing aid as well as facilitating international trade, and promoting a global approach to development, notably by a controlled use of global public resources (water, air, biological diversity). The government intends

to increase ODA to 0.5% of national gross income in 2007 and 0.7% in 2012. OECD ranks France in third place in absolute terms among Development Assistance Committee donors, after the United States (USD 18.9 billion) and Japan (USD 8.8 billion).

¶118. (U) Based on provisional data, ODA increased to 0.44% in 2005 from 0.42% in 2004 (USD 8.5 billion). Bilateral aid and multilateral aid increased in 2005, totaling 5.6 billion euros and 2.3 billion euros respectively based on provisional data for the first nine months of 2005, from 4.3 billion euros and 2.3 billion euros, respectively, for the full year 2004.

¶119. (U) The French in recent years have given a greater role to debt cancellation as a means to provide aid, taking advantage of France's position as one of the main creditors of developing countries. Debt cancellation increased to a high of 35.7% of ODA in the first nine months of 2005 (2.8 billion euros) from 21.4% in full year 2004. Regarding bilateral aid, the six priorities of bilateral aid in 2004 included education, water and purification, health and fight against AIDS, agriculture and food safety, development of infrastructure in Sub-Saharan Africa, protection of environment and biodiversity. Based on the most recent data (2004) provided by the Government, the African continent was the main recipient of bilateral aid (66%). The top ten beneficiaries were: the Congo Democratic Republic (618 million euros), Senegal (258 million euros), Madagascar (252 million euros), Cameroon (181 million euros), Morocco (178 million euros), the French territory of Mayotte (157 million euros), Nigeria (148 million euros), Algeria (125 million euros), Tunisia (104 million euros), and Serbia and Montenegro (96 million euros).

¶120. (U) ODA is set to increase to 0.47% of national income (8.2 billion euros) in 2005. France has created an inter-ministerial ODA mission to help achieve its target. The mission regroups two programs, the "economic and financial aid to development" program handled by the finance ministry, and the "solidarity to developing countries" program handled by the Foreign Affairs Minister. The two programs contribute to the implementation of ODA within the Inter-ministerial Committee for the International Cooperation and the Development ("Comite Interministeriel pour la Cooperation Internationale et le Developpement - CICID.") Major measures planned for 2006 include (1) expanding the French Development Agency's responsibilities to new sectors including agriculture, health and environment, (2) increasing France's voluntary contribution to the United Nations' International Development Agency where France is the fifth largest contributor, and to the African Development Funds where France is the first largest contributor, (3) contributing to macro economic stabilization of foreign countries by increasing support to budgets, (4) enhancing the French contribution to the Global Fund to fight AIDS and (5) the increase in the French contribution to the European Development Fund. The government approved a plan announced by President Chirac to levy a new tax on airline tickets sold in France, in order to raise funds for development programs in developing countries, notably the fight against AIDS. The tax, which should go into effect in July 2006, will raise around 200 million euros per year by taxing tickets by 1 to 40 euros. The 2006 budget set bilateral aid and multilateral aid at 5.2 billion euros and 2.7 billion euros, respectively.

#### Humanitarian Assistance

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¶121. (U) The bulk of France's humanitarian assistance donations (total spending excluding wages and social contributions) covers "Emergency Humanitarian Assistance" as well as aid for reconstruction and to support democracy. France allotted 38.2 million euros to Emergency Humanitarian Assistance, all of which was channeled through the Emergency Humanitarian Aid Fund of the Ministry of Foreign Affairs. Normally, the Fund may be increased on an extraordinary basis to finance unexpected operations. The 2006 allotment to the Humanitarian Aid Fund, which has been lower than 10 million euros in the initial budget proposals in the last five years, has not been specified. In 2004, the French tapped this fund to help the victims of the earthquake of Bam in Iran, the refugees in Darfur, the civil crisis and flooding in Haiti, precarious situations of population in Iraq, Liberia and Palestine territories, and invasions of locusts in several sub-Saharan African countries. In 2005, the fund facilitated humanitarian emergency operations for the tsunami victims in South-east Asia, helped alleviate the food crisis in Nigeria, and provided humanitarian assistance in Darfur. By August 2005, most of the allotment to the fund (10.7 million euros) had been used up, for assistance to 41 countries. Additional expenditures through the end of 2005 were very limited. The aid to the reconstruction and democracy will

benefit from 11.6 million euros in commitment authorizations and 20.6 million euros in credit payments in 2006.

STAPLETON